

National Grid Consultation on the generic entry and exit revenue driver methodology statement

Consultation Response

Energy UK is the Trade Association for the energy industry. Energy UK has over 70 companies as members that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26million homes and last year invested over £10billion in the British economy

General Comments

Energy UK welcomes the opportunity to provide comments on this methodology statement. However we recognise that the setting of revenue drivers is largely an activity that takes place between Ofgem and National Grid with a minimal role for industry. Nevertheless it is a process that is of interest to our members seeking to secure incremental capacity rights, since National Grid requires a revenue driver to be in place before it will commit to releasing incremental capacity where investment is required. There have been times when the setting of a revenue driver has seemed to be a protracted process which could have impact investment leadtimes. Therefore any measures including the establishment of a methodology statement which should streamline such dialogue between Ofgem and National Grid is welcomed and should deliver a more efficient process. To the best of our knowledge the draft methodology statement broadly sets out the analytical steps currently used to determine revenue drivers. However we feel that this should not limit further scrutiny of the outcome of the routine application of the methodology nor further analysis, if the results seem to be outside the range of normal expectations. Ofgem should have some discretion in this regard.

Questions

- 1) The proposed contingency arrangements seem reasonable.
- 2) Energy UK is unclear as to what this question means. Whether it means to only calculate and publish certain revenue drivers or to calculate many revenue drivers but only publish some of them. If the latter we are unsure why revenue drivers would be calculated for projects that are not needed. In general we do not have concerns with revenue drivers that have been determined being published in the Licence. The revenue driver is simply one of many parameters that need to be in place before a project can proceed and many of the other parameters are already publicly available, such as consents and TEC bookings.
- 3) Revenue drivers clearly have a 'life-time' and we believe they should be updated when there are material changes to the underlying data assumptions from which they were derived. It would also seem logical for revenue drivers to be removed from the licence if it is clear the associated project will not proceed. This could perhaps be linked to when project consents lapse.

Detailed Remarks

The covering letter refers to revenue drivers being included in the licence, we support transparency of revenue drivers but wonder whether there might be scope for streamlining this process given that industry has little or no role to play in the setting of revenue drivers. We wonder whether the publication of a Revenue Driver Statement might fulfil the transparency requirements but reduce the consultation timescales required for including the revenue drivers in the Licence.

We note there is no mention of timescales for determination of revenue drivers, although we recognise this is less of a critical issue as any revenue driver will be determined well before full commitment to capacity is required.

With respect to constraint management risk it is useful that the method for determining risk is also described here. However we would like to note reservations with any automatic upwards adjustments to the constraint management targets, since our simple view is that investment should generally reduce constraints, although we do recognise that this is a complex issue.

Note: This response represents a broad consensus of members' views.

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